



News Release

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UNEMPLOYMENT INSURANCE FUND NEEDS REPLENISHING IN 2005

PHOENIX – (January 6, 2005) Arizona employers will pay more into the state's unemployment fund this year, as required by federal law when the account runs low on cash.

The UI fund needs to be replenished to make up for unemployment benefits that were paid out during the economic downturn of 2001 - 2003. Federal law mandates that employers raise their contributions to the fund once the balance reaches a pre-determined level.

The average unemployment insurance tax rate paid by Arizona employers will increase from 1.04 percent in 2004 to 1.43 percent in 2005. Arizona's rate will still be lower than what employers paid in 44 other U.S. states or jurisdictions in 2004. The average national rate in 2004 was 2.5 percent; employers in New York and Pennsylvania face the highest rates at 4.3 and 4.2 percent, respectively.

Unemployment taxes paid by Arizona employers are deposited into a fund that is used solely to pay benefits to qualifying Arizona workers who lose their jobs through no fault of their own. By state law, the tax rate employers pay is self-adjusting and counter cyclical, meaning that after periods of high unemployment, the rates increase to replenish the fund (as they did from 1992 to 1995). Once the fund begins to approach the legally required balance, the rates begin decreasing again.

Pursuant to a change in Arizona law in 2004, the rate paid by new Arizona employers has been reduced from 2.7 percent to 2.0 percent. On average, an Arizona employer will pay \$100.10 annually for each employee. Arizona employers also enjoy the lowest tax base allowed by law, meaning that taxes are paid only on the first \$7,000 in wages earned per employee. Forty states, the District of Columbia and the U. S. Virgin Islands have a higher tax base than Arizona; Hawaii had the highest tax base in 2004 at \$31,000.